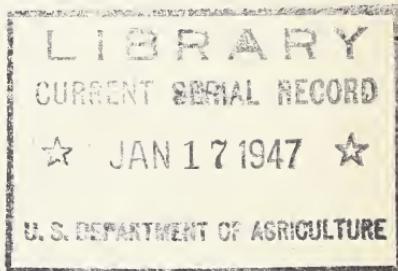


Historic, Archive Document

Do not assume content reflects current scientific knowledge, policies, or practices.

Report
of the
Manager of the Federal Crop
Insurance Corporation, 1946



U. S. DEPARTMENT OF AGRICULTURE
PRODUCTION AND MARKETING ADMINISTRATION

INTRODUCTORY STATEMENT

Federal crop insurance is still in the early stages of development as time is measured in the insurance business. First offered in 1939 on wheat, the program in 1946 is in the seventh year of active operation. There was insurance on cotton in only the last four of these years and on flax in only the last two. In the past 2 years, insurance has also been tried on corn and tobacco in a few experimental counties. In this brief period the answers to all crop insurance problems have not been found but substantial progress has been made.

The 1945 and 1946 programs have shown much improvement over earlier years. The Federal Crop Insurance Corporation completed the 1945 season with premiums in excess of indemnities on wheat, flax, and tobacco. This is the first time in the history of the program that black ink has shown up on the final ledger for any commodity. With drought, excessive rains, and boll weevil damage in different areas of the Cotton Belt causing the lowest cotton yield in recent years, the losses on this crop were enough to outweigh the gains on the three commodities. Also, with a late wet spring which delayed the planting of corn, followed by an early fall frost in some of the trial counties, corn indemnities exceeded the corn premiums.

Crop insurance was provided for the farmers of this country to help bring about a stability in agricultural income and to promote the national welfare by alleviating the economic distress caused by crop failure. Too many farm families have lost their farms, lost their homes, and lost whatever savings they had accumulated—not because of any negligence on their part—but because of unfavorable weather and other conditions over which they had no control. A sound Federal crop insurance program can prevent such losses. If every farmer in the Nation could have had crop insurance on most of his crops in the past 20 years, many relief measures and emergency appropriations would have been unnecessary. It is therefore the Corporation's plan to continue striving for the objectives yet to be accomplished so that crop insurance protection will be available to the farmers of this Nation.

REPORT OF THE MANAGER OF THE FEDERAL CROP INSURANCE CORPORATION, 1946

UNITED STATES DEPARTMENT OF AGRICULTURE,
PRODUCTION AND MARKETING ADMINISTRATION,
FEDERAL CROP INSURANCE CORPORATION,
Washington, D. C., September 20, 1946.

MR. ROBERT H. SHIELDS,
Administrator, Production and Marketing Administration.

DEAR MR. SHIELDS: I present herewith the annual report of the Federal Crop Insurance Corporation for the fiscal year 1946. This report summarizes the Corporation's activities for the crop year 1945 and the early-season activities for the crop year 1946.

Sincerely yours,

G. F. GEISSLER, *Manager.*

PRODUCTION AND MARKETING ADMINISTRATION,
Washington, D. C., September 30, 1946.

HON. CLINTON P. ANDERSON,
Secretary of Agriculture.

DEAR MR. SECRETARY: Herewith is the report of the Federal Crop Insurance Corporation for the fiscal year ended June 30, 1946.

Sincerely yours,

ROBERT H. SHIELDS, *Administrator.*

CONTENTS

	Page		Page
Operating set-up-----	1	Insurance for 1947 crops-----	30
Federal crop insurance in 1946-----	2	Financial reports-----	31
Wheat crop insurance-----	3	Explanatory comments on	
Cotton crop insurance-----	7	balance sheet-----	32
Flax crop insurance-----	16	Explanatory comments on	
Trial crop insurance-----	17	administrative and operating	
Purpose and plans-----	22	expenses-----	34
Experience-----	24		

OPERATING SET-UP

The Federal Crop Insurance Corporation is a Government corporation of and within the United States Department of Agriculture. It operates as one of several branches of the Production and Marketing Administration of the Department. The operating set-up of the Corporation is composed of the Board of Directors and the Manager with his staff and various field offices. The Board of Directors is composed of three members appointed by the Secretary of Agriculture. The manager is under the general supervision of the Board of Directors

and the administrator of the Production and Marketing Administration. He is the executive director of the Corporation's programs and activities both in Washington and in the field. In the manager's office are three area directors, who assist in the supervision of the field activities.

The central office of the Corporation is located in Washington, D. C. This office is responsible for the development of plans for insurance, the insurance contract, administrative methods and procedures, and for the executive direction of the crop insurance programs. In developing these programs the suggestions of farmers, county and State office representatives, and others are solicited. Many of their suggestions have been constructive and have been incorporated in the programs. The Washington office also develops the actuarial basis for establishing the amount of insurance coverage and premium rates and maintains control over these operations in the field.

There are three branch offices located in Birmingham, Chicago, and Denver. These branch offices receive and maintain the official files of insurance contracts and related documents and perform the audit and accounting functions relative to these contracts. These offices also receive premiums and process indemnity claims.

In most States there is a State crop insurance director who is primarily responsible for the crop insurance program in the State. He approves farm yields and premium rates and accepts insurance applications for and on behalf of the Corporation. He also directs and supervises loss-adjustment work and reviews all loss claims submitted in the State. Directly under him are district supervisors who assist him in his work. There are also loss adjusters who are paid only when they are actually employed. The loss-adjustment phase of the Corporation's program is very important. It involves one of the largest items of administrative expense, but the Corporation feels that if losses are not adjusted correctly the payment of unjustifiable losses will easily amount to several times the amount of the administrative expense involved.

After the development of the programs and procedures by the Corporation, the establishment of farm average yields and premium rates and the selling of insurance becomes the function of the Field Service Branch of the Production and Marketing Administration, under a cooperating agreement with that agency. Farm yields and premium rates are established by the county committees of the Field Service Branch, subject to approval by the Corporation. Insurance is sold by the county committees and through crop insurance agents appointed by the county committees for and on behalf of the Corporation. In most cases county committees also obtain reports of planted acreage and collect premiums in accordance with the cooperating agreement. All work of the county committees is performed under the supervision of the State director of the Production and Marketing Administration.

FEDERAL CROP INSURANCE IN 1946

Federal crop insurance protection is available nationally to producers of wheat, cotton, and flax. This insurance is also being tried experimentally on corn and tobacco in 19 representative counties for

each commodity. Insurance on wheat, cotton, and flax is against loss of yield with an optional coverage of either 50 percent or 75 percent of the long-time average yield. In cotton the insurance is against loss of lint cotton yield but insurance against loss of cottonseed production may also be included in the contract if the producer so desires. Because corn and tobacco are being insured on an experimental basis, more than one plan of insurance is being tried on both of these commodities. The plans of insurance for these crops are fully discussed in a later section of this report.

On all 5 commodities, the amount of insurance protection increases with the progress of the crop. If the crop is destroyed or substantially destroyed early in the growing season but after it is too late to replant to the insured commodity, and the acreage is released by the Corporation for other use, the amount of protection is only 40 to 65 percent (it varies by commodities) as much as it would be if the crop were harvested. From there on, the amount of protection increases progressively as additional costs are incurred and the value of the crop increases.

On the 5 commodities there is a total of 451,365 contracts in force in 1946, covering over one-half million farms. There are 305,428 wheat contracts covering approximately 385,000 wheat farms located in 1,424 counties in 35 States, 114,270 cotton crop insurance contracts covering about 137,000 cotton farms located in 658 counties in 18 States, and 10,412 flax crop insurance contracts covering about 13,000 farms located in 175 counties in 12 States. Also there are 7,413 corn crop insurance contracts in the 19 experimental counties covering nearly 9,000 farms and 13,842 tobacco contracts in a like number of counties covering over 14,000 farms. The break-down of this insurance by commodities is shown in the following table:

TABLE 1.—*Amount of insurance, by commodities, 1946*¹

[United States totals]

Commodity	Contracts in force	Farms covered	States with insurance program	Counties with insurance program
Wheat.....	Number 305,428	Number 385,497	Number 35	Number 1,424
Cotton.....	114,270	136,873	18	658
Flax.....	10,412	13,384	12	175
Corn.....	7,413	8,608	17	19
Tobacco.....	13,842	14,198	12	19
Total.....	451,365	558,560

¹ See footnote at end of table 2.

WHEAT CROP INSURANCE

In 1945 only spring wheat was insured and the number of wheat farms on which a premium was earned was rather small—only about 20,000. In 1946, however, both spring wheat and winter wheat are insured and there are about 385,000 farms covered by insurance. Wheat is insured under 3-year term contracts. 1946 is the second year of insurance under these contracts for the spring wheat farms

insured in 1945 and the first year of insurance for all other farms—about 365,000 out of the 385,000 insured. It is therefore obvious that essentially all of the 385,000 farms insured in 1946 will be covered by insurance in 1947 and 1948. In addition, applications for insurance on the 1947, 1948, and 1949 wheat crops are being written at the time this report is being prepared. It is probable that the carry-over business plus the new business will amount to over one-half million wheat farms being insured in 1947. This is approximately one-third of the wheat farms in the Nation.

Most of the insured wheat farms for 1946 are located in the eastern half of the wheat area, which, with some exceptions, is the high-yielding and low-rate area. However, the average wheat acreage per farm is greater in the western half of the country than in the eastern half. Even though participation in the western half of the country represents only about 10 percent of the insured wheat farms, preliminary acreage figures for 1946 indicate that approximately one-third of the insured acreage is located in this area.

Figure 1 shows the location and general distribution of the 1946 wheat. It also includes the 1946 cotton and flax participation, but in general the northern two-thirds of this figure represents the wheat and flax areas and the southern one-third represents the Cotton Belt. Most of the flax insurance is in the four States of Minnesota, North Dakota, South Dakota, and Kansas. Even so, the wheat crop insurance in these four States amounts to about six times as much as the flax crop insurance. Thus the amount of flax does not materially change this figure with respect to wheat. It should be observed that this map is based on the number of farms insured instead of the acreage insured, because the 1946 acreage figure is incomplete at this time. There is but little, if any, wheat produced in the localized areas in the northern two-thirds of the country which show no participation in the crop insurance program: In the New England States, essentially no wheat is produced; there is but little wheat in northern Illinois and northern Iowa; and much of the other areas showing no participation represent mountainous or otherwise nonarable land.

Table 2 may also be observed in connection with figure 1. This table shows the amount of 1946 wheat crop insurance business by States: The first column shows the number of contracts in force and the second column shows the number of farms covered by insurance.

The amount of wheat premiums for 1946 is about 8 million bushels, but this figure will be modified slightly when all acreage reports are completed and summarized. At the time of the preparation of this report, it appears that these premiums will exceed indemnities by a rather substantial amount. This is due in large measure to the favorable weather and good crops which have prevailed in most of the wheat-producing States throughout most of the growing season. Although there have been adverse weather and poor crop conditions in some areas, these areas have not been extensive.

The 1945 wheat crop insurance experience, which includes only spring wheat, was also favorable. The indemnities amounted to only 43 percent of the premiums. This good loss experience was due primarily to favorable weather and good crop conditions in most of the spring wheat area. The 1945 loss experience is shown in table 2 by States and in table 6 for the United States as a whole. These tables

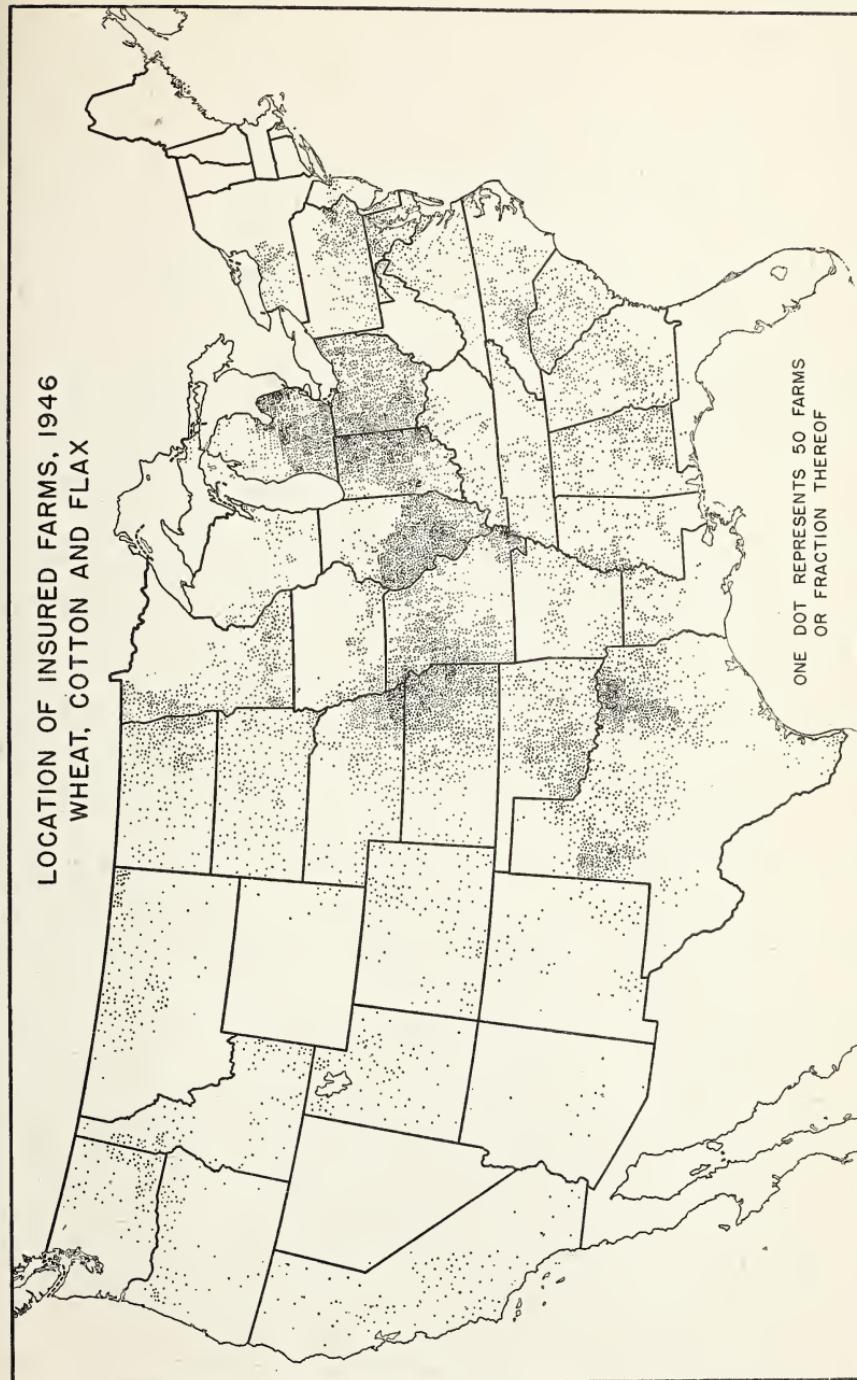


FIGURE 1.—Location and general distribution of insured wheat, cotton, and flax in 1946, based on the number of farms insured.

TABLE 2.—*Wheat crop insurance experience, by States, 1945–46*
(As of June 30, 1946)

State and crop year	Contracts in force	Farms ¹ covered	Crop planted and premium earned						Primary causes of loss
			Contracts	Farms ¹	Indem-nities	Insured acreage	Premi-ums	Surplus or deficit	
Arizona:									
1945	—	Number 18	Number 42	Number 22	Acres 748	Bushels 5,125	Bushels 504	Bushels 952	Drought.
1946	—	50	79						
California:									
1946	—	1,393	3,678						
Colorado:									
1945	—	194	418	150	35	2,435	33,590	3,432	Drought and hail.
1946	—	2,710	5,425						
Delaware:									
1946	—	467	520						
Idaho:									
1945	—	306	796	228	44	19,237	260,734	16,527	Heat and excessive moisture.
1946	—	2,092	4,457						
Illinois:									
1946	—	35,887	43,228						
Indiana:									
1946	—	35,144	38,197						
Iowa:									
1945	—	31	29	26	26	3	494	4,724	Excessive moisture.
1946	—	6,378	7,529						
Kansas:									
1946	—	22,170	34,329						
Kentucky:									
1946	—	3,617	3,704						
Maryland:									
1946	—	4,451	5,041						
Michigan:									
1946	—	36,504	39,414						

see footnote at end of table.

TABLE 2.—*Wheat crop insurance experience, by States, 1945-46—Continued*

State and crop year	Contracts in force	Farms ¹ covered	Crop planted and premium earned								
			Contracts	Farms ¹	Indem-nities	Insured acreage	Insured production	Premi-ums	Indem-nities	Surplus or deficit	Loss ratio
		Number	Number	Number	Number	Acres	Bushels	Bushels	Bushels		
Texas:											
1946	-	3,741	4,971	-	-	-	-	-	-	-	-
Utah:											
1945	-	129	137	100	118	7	1,656	26,273	1,893	387	1,506
1946	-	3,049	4,716	-	-	-	-	-	-	-	.20
Virginia:											
1946	-	4,423	4,768	-	-	-	-	-	-	-	-
Washington:											
1945	-	312	822	260	392	163	29,144	941,967	22,352	65,340	-42,988
1946	-	1,354	3,450	-	-	-	-	-	-	-	2.92
West Virginia:											
1946	-	1,325	4,716	-	-	-	-	-	-	-	-
Wisconsin:											
1945	-	222	220	126	128	11	818	9,333	1,121	726	395
1946	-	4,375	4,537	-	-	-	-	-	-	-	.65
Wyoming:											
1945	-	33	73	28	35	12	1,576	13,632	2,806	2,892	-86
1946	-	221	436	-	-	-	-	-	-	-	1.03

¹ The number of farms is larger than the number of contracts because a farmer's contract covers all the farms in which he has an insurable interest in the county. The figure representing number of farms includes duplication where both landlord and tenant are insured. The number of contracts and farms on which a premium is earned is usually less than the number of contracts in force and the number of farms covered thereby because farmers sometimes do not plant any acreage of the commodity on which they have insurance.

show for 1945 the premiums, indemnities, surplus or deficit, and loss ratio. In table 2 the primary causes of loss are also shown. The premiums and indemnities are shown on a commodity basis in both tables and also on a monetary basis in table 6. Even though the over-all loss experience was good, examination of table 2 shows that indemnities exceed premiums by fairly substantial margins in Oregon and Washington where the primary causes of loss were drought and hot winds. However, it should be remembered that only spring wheat was insured in 1945 and consequently the volume of business in these two States was small. Also, the insurance experience in these States was good in prior years.

The over-all wheat-loss experience for 1945 and the favorable experience expected for 1946 tend to show the proper functioning of crop insurance: That is, premiums are saved in years of good crops as a reserve needed in years when weather and other unavoidable hazards cause heavy losses.

It should be remembered that there was no prior successful experience with all-risk crop insurance which the Corporation could use in initiating the Federal crop insurance program. Consequently, the development of this kind of insurance and the establishment of an actuarial basis necessarily had to be on somewhat of a trial-and-error basis. However, much was learned in the first years of crop insurance. Experience gained has resulted in some major changes which are now placing and will continue to place the wheat crop insurance program on a sounder basis.

One of these changes, which is applicable not only to wheat but to all insurable commodities, is a plan whereby the amount of insurance protection increases as the crop progresses. On any wheat acreage destroyed and seeded to a substitute crop after a release of the acreage by the Corporation, the maximum amount of indemnity payable is one-half of the coverage. On any other insured acreage of wheat not harvested, the maximum amount of indemnity payable is, with certain exceptions, four-fifths of the coverage. The full insurance protection applies only to harvested acreage. This results in protection which is approximately in line with costs and the value of the crop at various stages of production. It also has the advantage of encouraging the harvesting of partial crops which is particularly desirable in view of the current world need for food and feed.

A second feature adopted for wheat insurance in the more recent years of the program is the 3-year term contract. The moisture condition of the soil at the time of seeding is an important factor in a major part of the wheat area in indicating the prospects of the crop. As long as insurance was offered on the basis of a 1-year contract, many growers insured when prospects were unfavorable and did not insure when conditions looked good. The primary purpose of the 3-year contract is to avoid this selectivity. Not much can be accomplished in this respect until the second and third years of the contract because the first year the farmer may have some indications of crop prospects before applying for insurance. Although the 3-year contract was first offered in 1943, it did not serve the primary purpose because, as a result of the suspension of the program, these contracts were in effect only the first year. No insurance was written in 1944

and only spring wheat was insured for 1945. For the contracts in effect in 1945, 1946 is the second crop year. However, since the bulk of the 1946 wheat crop insurance was written under contracts beginning on the 1946 crop, the crop year 1947 will be the first time insurance has been in force to any considerable extent in the second year of a 3-year contract.

A third change which has been made in the wheat crop insurance program is a relative increase in the premium rates.

A fourth advantage which is inherent in the wheat crop insurance program is the fact that wheat is a close-drilled crop and therefore does not require cultivation and other similar care from the time it is planted until it is ready for harvest. It is believed that this factor, together with the changes enumerated above, plus the relatively large number of wheat farms insured, places the wheat crop insurance program on a relatively sound basis.

COTTON CROP INSURANCE

There are 114,270 cotton crop insurance contracts in force in 1946 covering nearly 137,000 farms. This number of cotton farms exceeds the number insured in 1945 by about 20 percent. Based on the best information available to the Corporation, two factors are principally responsible for the relatively small participation in the cotton crop insurance program. One is the fact that cotton producers are, as a whole, less insurance minded than the producers of some other commodities such as wheat and tobacco. The second factor is that not more than one-third of the cotton producers were personally contacted by crop insurance agents with reference to insuring their 1946 cotton crop.

Table 3 shows the amount of participation in the 1946 cotton crop insurance program by States. The participation figures are given in the first two columns of this table. The first column is the number of contracts in force and the second column is the number of farms covered by insurance. Figure 1, which shows the general location and distribution of insured farms, should also be observed in connection with this table. Figure 1 is based on the number of farms covered by insurance. As previously stated in the wheat section of this report, approximately the northern two-thirds of this map represents the wheat and flax areas and the southern one-third represents the Cotton Belt. This figure shows that there is a considerable concentration of insurance business in the Black Land and Great Plains areas of Texas; whereas the business is more uniformly distributed in the other areas of the Cotton Belt. The cotton contracts in force in 1946 are continuous and will remain in force from year to year, subject to an annual cancellation clause which may be used by either the farmer or the Corporation.

The total of the 1946 cotton premiums is about 42 million pounds but this figure will be modified slightly when all the acreage reports are completed and summarized. At the time of the preparation of this report, it appears that the 1946 losses will exceed this 42 million pounds in premiums by rather a substantial amount. This unfavorable loss experience is due primarily to severe drought in the western

one-third of the Cotton Belt and to excessive rain, flood, and boll weevil infestation in most of the eastern two-thirds of the Cotton Belt. The drought in the western one-third of the Cotton Belt prevailed throughout 1945 and is most severe in 1946. Also, in eastern Texas and Oklahoma there were severe rains throughout the spring of 1946 followed by drought conditions which were serious by the middle of the growing season. In Louisiana and most States east of the Mississippi these rains were not only frequent but also heavy and the prospects for a 1946 cotton crop are materially reduced. The frequent rains are largely responsible for the serious boll weevil threat in the central and eastern parts of the Cotton Belt. In some areas periodic surveys made by State and Federal agencies have shown an average of almost 50-percent boll weevil infestation with 100-percent infestation being reported on some farms.

The cotton experience was also unfavorable for 1945 when the indemnities amounted to 335 percent of the premiums. This experience is shown in table 3 by States and in table 6 for the United States as a whole. The premium pounds, indemnity pounds, surplus or deficit, and loss ratio are shown in these tables. The primary causes of these losses were excessive moisture, flood, boll weevils, and drought. Excessive moisture, flood, and boll weevils are frequently associated and these three causes combined were the primary cause of loss on nearly 60 percent of the indemnified cotton acreage. Drought was the primary cause of loss on 20 percent of the indemnified cotton acreage. These and other causes contributing to the 1945 cotton losses are shown in table 4.

The location of the 1945 cotton losses is shown in figure 2. There are three areas of heavy losses: Two are in Texas and one is in south-eastern Missouri. In the western part of Texas most of the losses were due to the severe drought; whereas in the other two areas most of the losses were due to excessive moisture and flood. In each of these areas the 1945 annual yield, as determined by the Division of Agricultural Estimates, Bureau of Agricultural Economics, was much below average. In many counties it was less than one-half of the long-time average yield. Under these conditions of adverse weather and low yields, heavy losses are to be expected.

It should be noted that 1945 weather conditions were favorable and losses light in some parts of the Cotton Belt. North Carolina, South Carolina, northern Georgia, northern Alabama and the eastern hilly area of Mississippi are typical of these areas. However, the greatest amount of cotton crop insurance was in the area where unfavorable weather conditions occurred, thus making the over-all cotton loss picture worse than it would be if there had been a more even distribution of insured farms throughout the Cotton Belt.

In the preceding wheat section of this report, it was stated that the premium reserves built up in 1945 and 1946, which were good wheat crop years, would be needed to take care of heavy losses in later years when crop conditions are poor. Likewise, in cotton it is expected that the deficits in 1945 and 1946 will be recouped when better crop seasons occur. Premium rates are based on long-time average losses. Consequently, deficits in some years and surpluses in others represent the expected rather than the unexpected situation.

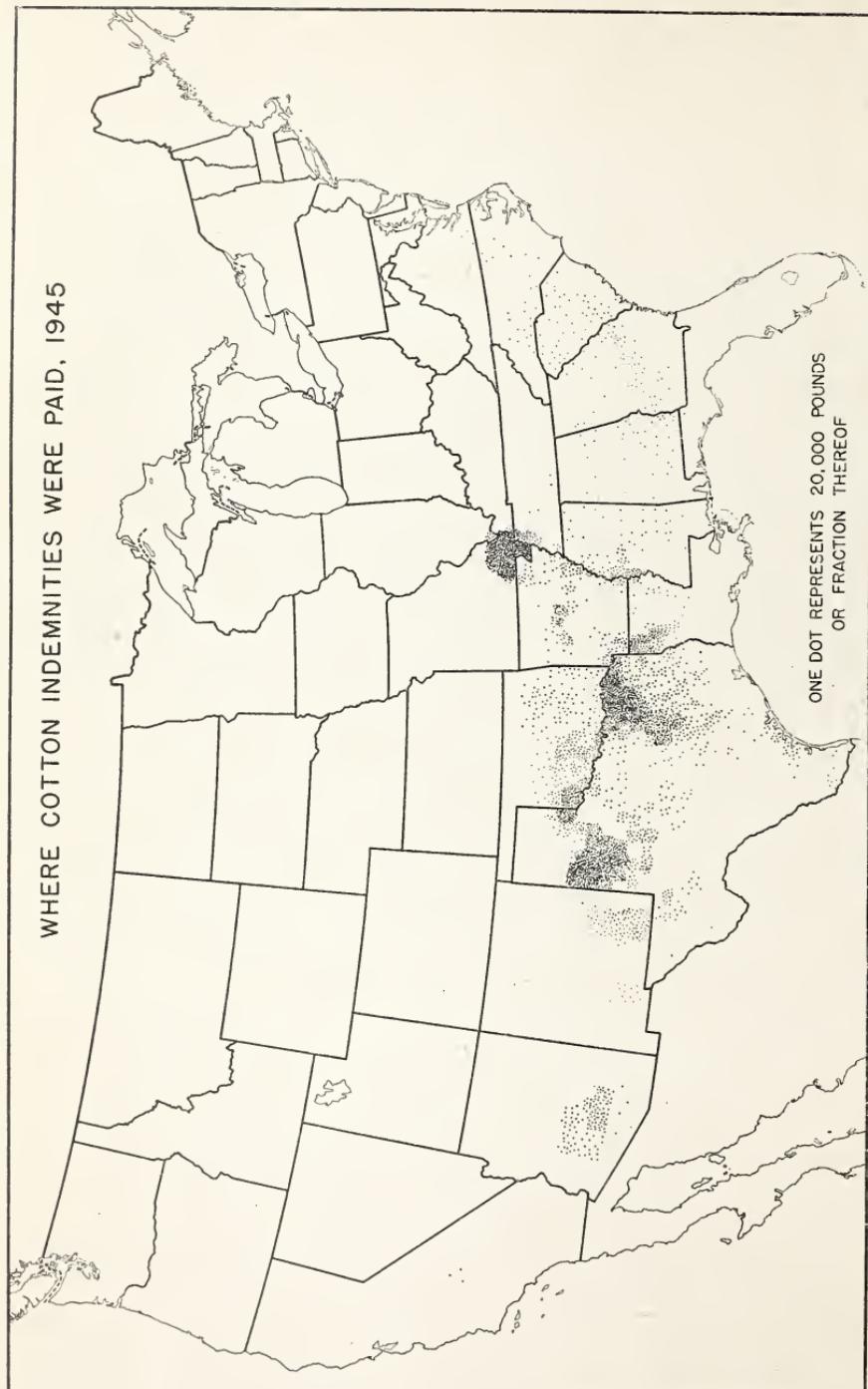


FIGURE 2.—Location of insured cotton losses, 1945. Losses were caused primarily by drought in western Texas, and by excessive moisture, flood, and boll weevils in areas to the east.

TABLE 3.—Cotton crop insurance experience by States, 1945-46
(As of June 30, 1946)

State and crop year	Contracts in force ¹	Farms covered ¹	Crop planted and premium earned				Indemnities	Surplus or deficit	Loss ratio
			Contracts ¹	Farms ¹	Indemnities	Insured acreage			
Alabama:									
1945	10,312	Number 10,800	Number 10,002	Number 11,063	Number 1,544	Acres 123,513	Pounds 14,802,569	Pounds 605,998	Pounds 56,816
1946	12,823	13,802	630	275	643	215	75,590	21,383,015	716,867
Arizona:									
1945	288	644	5,989	4,562	5,723	2,621	118,099	17,898,733	2,634,470
1946	347		7,417						
Arkansas:									
1945	5,112								
1946	6,211								
California:									
1945	42	67	39	50	9	2,881	1,279,757	36,704	43,247
1946	530	874							
Florida:									
1945	213	220	207	215	38	981	88,873	6,351	3,189
1946	140	144							
Georgia:									
1945	6,165	6,367	5,920	6,605	1,807	92,071	14,472,796	750,881	1,029,198
1946	11,111	11,560							
Illinois:									
1945	268	312	231	310	239	2,649	478,768	22,912	171,070
1946	241	298							
Kentucky:									
1945	81	99	66	80	49	1,286	275,510	20,481	64,057
1946	174	195							
Louisiana:									
1945	2,814	2,995	2,661	3,016	1,596	81,937	15,951,080	755,793	3,006,584
1946	5,393	6,091							
Mississippi:									
1945	6,687	6,796	6,556	6,957	1,150	118,547	22,521,670	868,550	1,459,123
1946	8,061	8,646							

See footnotes at end of table.

TABLE 3.—*Cotton crop insurance experience by States, 1945-46—Continued*
(As of June 30, 1946)

State and crop year	Contracts in force ¹	Farms covered ¹	Contracts ¹	Farms ¹	Crop planted and premium earned						
					Indemnities	Insured acreage	Insured production ²	Premiums	Indemnities	Surplus or deficit	Loss ratio
Missouri:	Number 4, 297	Number 5, 373	Number 4, 014	Number 5, 500	Number 3, 410	Acres 114, 345	Pounds 18, 223, 237	Pounds 622, 408	Pounds 7, 599, 231	Pounds -6, 976, 823	12.21
	1945	3, 438	3, 905								
New Mexico:	1, 296	1, 936	1, 219	1, 858	767	59, 475	20, 000, 394	969, 856	2, 793, 066	-1, 823, 210	2.88
	1946	1, 306	1, 916								
North Carolina:	3, 655	4, 108	3, 583	4, 328	498	31, 286	5, 918, 284	231, 517	176, 046	55, 471	.76
	1945	5, 470	6, 209								
Oklahoma:	12, 767	16, 425	11, 248	14, 846	8, 509	302, 991	24, 163, 407	2, 164, 556	7, 371, 141	-5, 206, 585	3.40
	1946	10, 243	12, 985								
South Carolina:	7, 126	7, 476	7, 001	8, 067	863	113, 535	18, 031, 209	887, 520	679, 622	207, 898	.77
	1945	7, 801	8, 648								
Tennessee:	984	1, 117	955	1, 255	532	18, 023	3, 996, 696	290, 497	1, 016, 585	-726, 088	3.50
	1946	3, 458	3, 932								
Texas:	33, 915	43, 069	31, 206	43, 029	23, 553	1, 791, 283	183, 553, 051	12, 187, 432	42, 233, 832	-30, 046, 400	3.46
	1945	37, 077	49, 084								
Virginia:	209	227	195	247	24	1, 413	194, 596	9, 822	7, 082	2, 740	.72
	1946	446	523								

¹ The number of farms is larger than the number of contracts because a farmer's contract covers all the farms in which he has an insurable interest in the county. In some cases the figure representing the number of farms on which a premium is earned is larger than the corresponding figure representing the number of farms covered by insurance. This is due to the fact that the number of farms on which a premium is earned includes duplication where both landlord and tenant are insured; whereas this duplication has been partially eliminated from some of the other figures. The number of contracts and farms on which a premium is earned is usually somewhat less than the number of contracts in force and the number of farms covered thereby because farmers sometimes do not plant any acreage of cotton.

² For lint cotton only. Total liability of Corporation also includes cottonseed production, when insured.

TABLE 4.—*Cotton: Indemnified losses, percentage caused by various hazards on insured crops, 1945*

State	Excessive moisture	Flood	Boll weevil	Other insects and diseases	Drought	Hail	Frost	Other weather factors	All other causes	Total loss (in pounds)
Alabama	45.5	0.1	38.7	0.5	1.7	5.5	1.8	8.4	7.8	0.2
Arizona	29.1	53.6	13.1	1.5	.7	.3	.7	6.3	.5	605,998
Arkansas										2,634,470
California										4,101,355
Florida	42.6			38.7	.7	2.0	4.4		.9	43,247
Georgia	41.3	2.4	49.1	.6	1.0	3.3			11.6	3,189
Illinois	67.7	11.0	.5			5.8	13.4		1.7	1,029,198
Kentucky	91.0	3.5	.2						1.3	1,171,070
Louisiana	47.0	8.9	22.8	21.2	.6				5.3	64,057
Mississippi	55.1	7.5	33.2	2.6					.1	3,006,584
Missouri	80.5	17.1				.5			.3	1,459,123
New Mexico						1.3	.2		.9	7,599,231
North Carolina	38.0	.1	14.6	1.9	13.3	27.6	8.8	33.5	14.9	2,793,066
Oklahoma	22.9	4.4	35.8	2.5	7.0	9.8		30.3	.1	176,046
South Carolina	36.8	.2	53.6	1.7	1.2	16.0	.7	12.0	.4	7,371,141
Tennessee	39.5	56.0	.1	2.5	.1	3.3		3.2		679,622
Texas	20.4	4.3	17.2	17.4	24.2	5.3	1.3		1.1	1,016,585
Virginia	20.8	20.3		3.4		6.2	2.2	47.1		.1
United States	28.8	8.9	17.0	14.0	14.7	5.9	1.5		8.5	.7
										74,994,896

In the meantime, 47,000 cotton producers who lost their 1945 crop and thousands who are losing their 1946 crop will have been greatly benefited by their crop insurance protection. While the indemnity paid them will not fully replace the crop they lost, it will nevertheless give them something to live on, help them to pay production loans, and enable them to stay in the farming business.

On cotton only about half as much insurance experience has been gained as on wheat. However, many changes have already been made with the view of improving the cotton program and other major changes are now being made which will apply to the 1947 and succeeding cotton crop insurance programs. The changes for 1947 are discussed in the later section of this report entitled "Insurance for 1947 Crops."

FLAX CROP INSURANCE

As pointed out earlier in this report, 1946 is the second year of insurance on flax. It was first available on the 1945 crop. Flaxseed production is insured, but flax fiber is not insured. There are 10,412 flax crop insurance contracts in force in 1946 covering about 13,000 farms. A break-down of this participation is shown in table 5 by States. The participation figures are given in the first 2 columns of this table. The first column shows the number of contracts in force and the second column shows the number of farms covered by insurance. The 1946 participation is only about one-third of the participation in 1945, the amount of which is also shown in table 5 by States and table 6 for the United States. The amount of 1945 flax insurance was due primarily to the emphasis on expanding the flax acreage for war needs, including the incentive payment of \$5 per acre which could be used by the farmer to pay his insurance premium. With the removal of these emphases in 1946, it is reasonable to expect a decrease in the amount of insurance, particularly in view of the fact that flax is a high-risk crop on which the premium rate is relatively high. However, it is expected that there will be a more intensive sales campaign in 1947 which should result in the insuring of more flax.

The amount of 1946 flax premiums is about 165,000 bushels, but this figure will be modified somewhat when all of the acreage reports are completed and summarized. It is expected that these premiums will exceed the 1946 indemnities, due to good weather and crop conditions which have prevailed in most of the flax area.

The 1945 flax loss experience was also favorable: The indemnities amounted to 59 percent of the premiums. This loss experience is shown in table 5 by States and table 6 for the United States as a whole. The premium bushels, indemnity bushels, surplus or deficit, and loss ratio are shown in both of these tables. As shown in table 5, the loss ratio is as low as 0.12 in South Dakota, and 0.13 in Iowa and as high as 3.01 in Wisconsin. The over-all flax loss ratio of 0.59 is due to favorable experience in the principal flax-producing States. In States where losses were relatively heavy, the primary causes of loss were flood, excessive moisture, and drought. These primary causes of loss are shown in table 5 by States.

To a large extent, the 1945 and 1946 flax crop insurance programs had to be based on the Corporation's earlier insurance experience on wheat, which is a similar crop with respect to cultural practices. Consequently, the program improvements which were referred to in the earlier wheat section of this report were applied to the flax program. It is believed that these improvements, together with the favorable weather and crop conditions, are responsible for the good insurance experience on flax. However, it is expected that the flax program will continue to be refined as more experience is gained on this crop and that a larger percentage of flax growers will be insured in future years.

TRIAL CROP INSURANCE

1946 is the second year of trial crop insurance on corn and tobacco. This insurance is limited on both commodities by the Federal Crop Insurance Act to a period of 3 years and to a maximum of 20 counties, which must be representative of the various areas. It cannot be extended beyond the 3-year period or offered on a national basis unless so authorized by Congress.

In 1945, sample counties were selected in most of the major producing areas. However, due to time limitation in initiating the program it was impossible to start this trial insurance in some of the minor corn and tobacco areas. Consequently, there were only 13 tobacco and 15 corn counties in 1945 and the remaining few counties were saved for use in extending the program in 1946 to those areas which could not be reached in 1945. In 1946 this insurance is being tried in all the counties in which it was tried last year and new counties have been added. There is now a total of 19 corn counties and 19 tobacco counties.

Careful study was given to the selection of these experimental counties. First, under the act, insurance cannot be offered in a county unless the Board of Directors determines that sufficient actuarial data are available. Second, as stated above, the counties must be representative of the various producing areas. In selecting the counties, consideration was therefore given to the representativeness of the area with respect to types of farming practices, variations in production risks, size of farms, acres devoted to the commodity, types of soil, number of producers interested in crop insurance, geographical distribution of the counties, and in the case of tobacco the types of tobacco produced. With reference to the geographical location of the trial counties for 1946, 14 corn counties are located throughout the Corn Belt, 2 are in the Eastern States, and 3 are in the Southern States. In tobacco, 7 counties are in the Flue-Cured Belt, 8 are in the Burley Belt, 1 is in the Maryland Belt, and 3 are in various cigar-producing districts. In addition to insuring Burley tobacco in all 8 counties in the Burley Belt, insurance is also being tried on dark-air-cured tobacco in one of these counties and fire-cured tobacco in another. The geographical location of the corn and tobacco counties is shown in figure 3, p. 21.

TABLE 5.—*Flax crop insurance experience, by States, 1945-46*
(As of June 30, 1946)

¹ The number of farms is larger than the number of contracts because a farmer's contract covers all the farms in which he has an insurable interest in the county. The figure representing number of farms includes duplication where both landlord and tenant are insured. The number of contracts and farms on which a premium is earned is usually less than the number of contracts in force and the number of farms covered thereby because farmers sometimes do not plant any acreage of the commodity on which they have insurance.

TABLE 6.—*Federal crop insurance experience, United States summary, 1945*
(As of June 30, 1946)

Commodity	Contracts in force ¹	Farms covered ¹	Contracts ¹	Farms ¹	Indemnities ¹	Insured acreage	Insured production	Commodity basis				Monetary basis			
								Number	Number	Premiums	Indemnities	Surplus or deficit	Premiums	Indemnities	Gain or loss from commodity transactions
Wheat	14,390	23,394	12,838	19,459	2,200	1,098	637	3,884	2,042	204	3,1,085,170	3,471,359	Dollars 686,509.67	Dollars 829,639.09	.43
Cotton	96,231	113,752	89,940	113,792	47,424	3,049	905	3,823	233	645,422	4-32,638,159.5	642,9919,970,403,88248,485.00	-14,441,275.89	3.35	
Flax	31,131	38,072	26,042	31,800	6,861	789	142	3,3	670,577	3,487,461	3,285,270	3,202,191,1,417,016.13	824,821,83	562,194.20	.58
Corn	2,903	3,200	2,876	3,570	153	187	338	2,637,651	3,322,141	3,511,451	3-189,310	65,730.21	40,075.43	25,654.78	.61
Investment Yield	7,700	9,163	7,538	10,005	3,107	265,412	3,4,289,071					332,272,05	579,151,95	-246,843,90	1.59
Total corn	10,803	12,363	10,414	13,575	3,294	418,750	...					398,002,26	619,191,38	-231,189,12	...
Tobacco Investment Yield															
Total tobacco	12,564	12,288	12,060	13,814	1,600	54,163	...					41,630,26	453,61	41,176,65	.01
Other operating income and charges: Interest income ⁶ Debt cancellation												637,667.90	468,098.63	166,569.27	.73
Total	104,919	19,830	151,294	192,440	61,379	5,410,597	...					679,298,16	468,552,24	210,745.92	.69
												9,291,108,30,22,569,479,10,248,485.00	-12,936,529.60		

¹ The number of farms is larger than the number of contracts because a farmer's contract covers all the insured farms in the county. The number of contracts and farms on which a premium was earned is usually less than the number of contracts in force and the number of farms covered thereby because farmers sometimes do not plant any acreage of the insurable commodity. However, for some of the commodities, the figure representing the number of farms on which a premium was earned is larger than the corresponding figure representing the number of farms covered by insurance. This is due to the fact that the number of farms on which a premium was earned includes duplication where both landlord and tenant are insured; whereas this duplication was partially eliminated from the other figures in some cases.

² The loss ratios for wheat, cotton, and flax and corn-yield insurance are based on the commodity premiums and indemnities. These ratios for tobacco and corn-investment insurance are based on monetary premiums and indemnities because only monetary figures are used for these plans of insurance.

⁴ Pounds.

⁵ Interest earned on premiums paid in full after the end of the interest-free period.

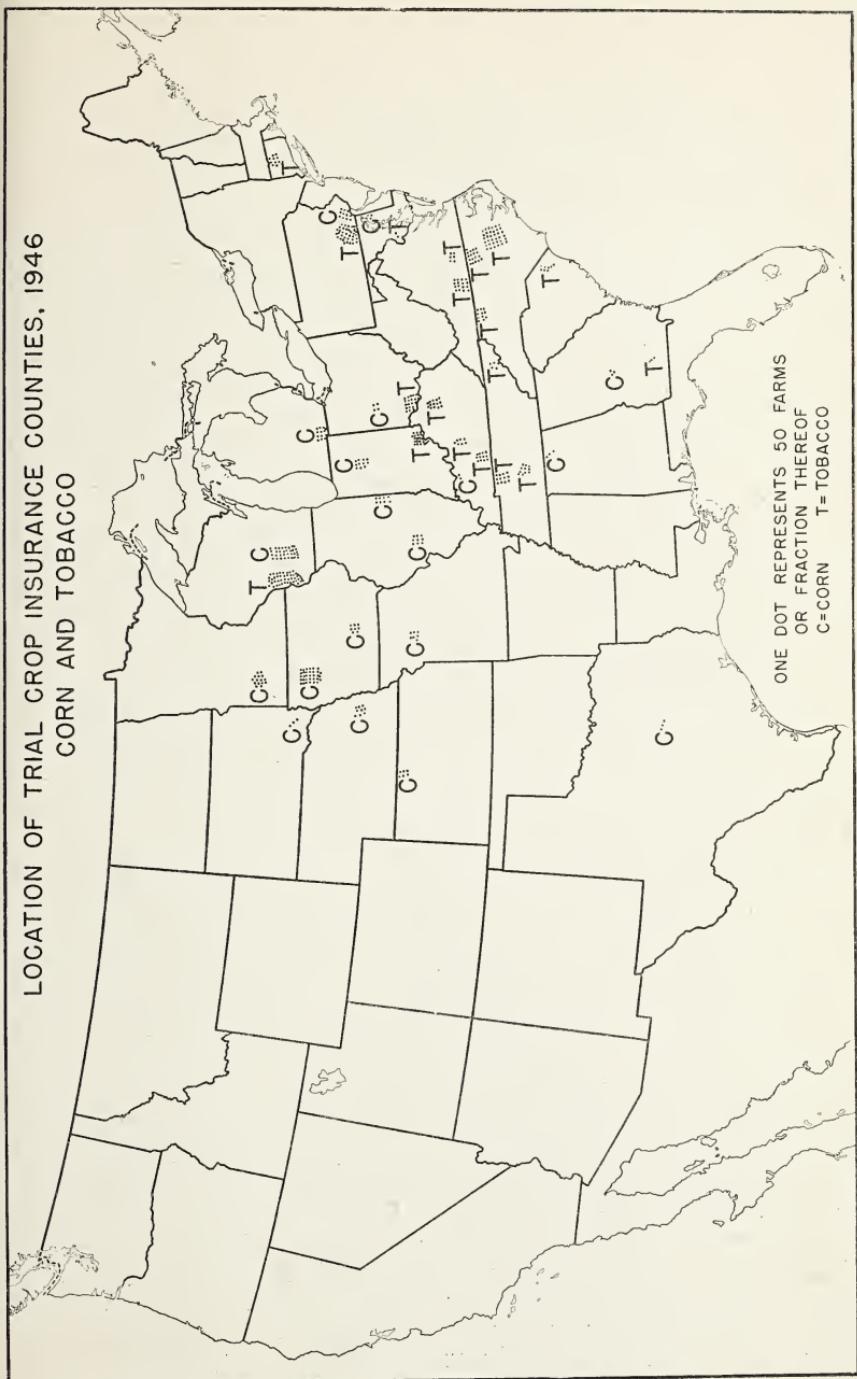


FIGURE 3.—Trial crop insurance was in effect in 19 corn-producing counties and 19 tobacco-producing counties in 1946. The counties are located in most of the major producing areas.

PURPOSE AND PLANS

The purpose of trial insurance, as stated in the act, is to determine the most practical plan, terms, and conditions of insurance on these commodities. With the view of accomplishing this purpose it seemed desirable to try more than one plan of insurance on both corn and tobacco. Consequently, two plans of insurance are being tried on both commodities. Since the act specifically provides authorization for insuring trial crops against loss of investment, this plan of insurance is being tried on both commodities.

Under this plan the amount of insurance is stated in dollars and cannot exceed 75 percent of the investment in the crop. If the returns from the crop in the year of insurance are less than the guaranteed amount, the insured farmer is indemnified. In some respects a guaranteed dollar figure is more attractive to the farmer than a guaranteed yield. In the first place, a farmer's final objective is dollars instead of yields. In the second place, whereas only loss of yield is covered by yield insurance, both yield and quality are covered by investment insurance, since both of these factors influence the returns from the crop. At first it may appear that price is also covered by investment insurance, but the price-support program of the Department eliminates practically all risk due to declining prices.

Even though investment insurance has some more attractive features than yield insurance, it is also less attractive because the amount of coverage is lower. At present prices of corn and tobacco, investment insurance approximates the value of 50 percent of the average yield, whereas protection up to 75 percent of the average yield may be obtained under yield insurance. Although the premium is less for the lower investment insurance than for 75 percent yield insurance, it appears that most farmers desire the higher protection at a higher premium. The relatively lower investment insurance is essentially protection against catastrophic losses.

In counties where investment insurance was offered, cost-of-production figures were studied and a typical per acre cost figure was determined. The amount of investment insurance per acre for most farms in a county is 75 percent of this typical investment figure. However, in order to avoid overinsurance on low-yielding farms, the amount of investment insurance per acre is restricted to 75 percent of the representative county figure or the cash value of 75 percent of the farm average yield, whichever is smaller. On such farms the premium rate was also increased to reflect the extra hazard.

Although the foregoing plan of investment insurance is being tried in 1946 in most of the corn and tobacco counties, some variations of it are being tried in five corn counties. In these five counties the farms are classified into yield groups; that is, low-yielding, average-yielding, and higher-than-average-yielding groups. For each of these groups in a given county, a low basic amount of investment insurance per acre is established which is applicable to all farms within the group. A farmer may increase this basic amount of insurance on any farm by incurring such yield-increasing costs as plowing under legumes, applying mixed or nitrogenous fertilizers, using hybrid seed, etc. However, a maximum limitation is placed on this amount of increase in order that the total amount of insurance will not exceed 75 percent of the investment in the crop.

The second plan of insurance for corn is against loss of yield as in wheat, cotton, and flax. This plan is not being used in the three southern counties because corn yields per acre are not available by farms in these counties.

The second plan on tobacco is also stated in dollars and is known as the yield-quality plan. The quality feature was introduced into this plan because of the important influence of this factor on the price of tobacco received by farmers. Although the yield of tobacco may be relatively good, such factors as plant diseases or weather conditions frequently cause low-quality tobacco, for which a relatively low price is received. Consequently, in such cases, insurance against loss of yield alone would afford inadequate protection. The dollar amount of yield-quality insurance is determined at the end of the season. It is based on not to exceed 75 percent of the long-time average yield for the farm and a representative price for tobacco in the year of insurance, as adjusted upward or downward for an individual farmer to reflect the average quality of tobacco produced by him in past years. This adjustment is based on the farmer's past experience in selling at prices above or below the market average price. As in investment insurance, if the returns from the crop in the year of insurance are less than the guaranteed amount, the insured farmer is indemnified.

The Corporation is using the trial crop insurance program also to test variations from methods used in the insurance of wheat, cotton, and flax. One important variation being tested concerns the number of farms and the amount of acreage insured. In 1945 and earlier years it was a requirement of all the programs that a farmer insure all of the commodity acreage in the county in which he had a share at the time of planting the crop. That is, if a person had a share in two wheat farms in a county, he could not insure one of them unless he insured both. However, in the 1946 corn program, the farmer is not required to insure all of his corn acreage unless he wants to. Within reasonable limitations, he may select the farm or farms on which he desires insurance. Furthermore, he states on his application the number of acres he desires to insure, which does not have to be all of the acreage he expects to plant.

A second variation being tested is with respect to the area of the farm considered in determining the amount of loss, if any, under the insurance contract. In the Nation-wide crop insurance programs, the area considered in determining the amount of loss is all or that portion of a farm in which the producer has an interest in the insurable crop. For example, a landlord's farm may be worked by two tenants; the entire farm is one unit for the landlord but the respective areas worked by the tenants are separate units for them. In such a case it sometimes happens that, even though one tenant sustains a loss, the landlord will not sustain a loss on his entire farm because the other tenant produces enough to offset the landlord's loss on the first part. This problem has been of most concern in the cotton crop insurance program because there are frequent cases where many tenants are involved on one farm. In 1946, some variations from this method of determining a loss are being tried in the tobacco program. In this program, the unit being used in computing the tenant's loss is also

being used in computing the landlord's loss. The experience gained from these tests on trial crops will be helpful in formulating policies for improving the program of other commodities.

EXPERIENCE

There are 7,413 corn crop insurance contracts in force in 1946 covering nearly 9,000 farms. There are also 13,842 tobacco contracts in force covering over 14,000 farms. In corn, a little less than one-half of the participation is on the basis of yield insurance, whereas in tobacco, about 85 percent of the participation is on the basis of yield-quality insurance. The number of contracts in force and the number of farms covered by insurance are shown by counties in table 7 for both corn and tobacco.

In 1945, some premium money was saved on tobacco and some was lost on corn. The 1945 tobacco losses amounted to only 69 percent of the tobacco premiums and the corn losses (in dollars) amounted to 156 percent of the corn premiums. It is not to be concluded from these loss ratios, however, that insurance is feasible on tobacco and not on corn. Instead, this loss experience reflects mainly the variation in the 1945 crop conditions in the experimental corn and tobacco counties. An inspection of the county loss experience, which is shown in table 8 for corn and table 9 for tobacco, will substantiate this fact. In tobacco, losses exceeded premiums in only 2 of the 13 counties, whereas in corn, losses exceeded premiums in 6 of the 15 counties. The primary causes of loss were excessive moisture and an early fall frost in both of the tobacco counties and the 6 corn counties. Weather and crop conditions were generally good in the other tobacco and corn counties. In the case of tobacco, it should also be noted that the heavy losses occurred in the 2 counties in which there was the most insurance. The fact that about 50 percent of the tobacco insurance was in these 2 counties caused the over-all loss ratio for tobacco to be considerably higher than it otherwise would have been. In fact, the loss ratio for the other 11 tobacco counties combined is only 0.20.

It will be observed from table 6 that the over-all loss ratio for tobacco investment insurance is only 0.01; whereas this ratio for tobacco yield-quality insurance is 0.73. Furthermore this over-all ratio for corn investment insurance is 0.61 and for corn yield insurance is 1.59. It may appear from these loss ratios that the investment plan of insurance is a financially sounder plan of insurance than the other two plans. However, these data are by no means conclusive. In the first place, 1 year's results are inadequate for an analysis of the plans of insurance. Secondly, it was pointed out earlier in this report that the amount of investment insurance per acre was lower protection than the yield or yield-quality insurance. Consequently, except in years of catastrophies, it may be expected that investment losses will be relatively small. Thirdly, an inspection of the loss experience by counties reveals that there was practically no investment insurance in any tobacco county where losses were heavy. Also, with the exception of Redwood County, Minn., there was no investment insurance in any corn county where losses were heavy. Had there been investment insurance in these counties, or had there been unfavorable weather in the counties where investment insurance was in force, the 1945 loss ratios for the two plans of insurance would probably have been quite different from those shown in the tables.

TABLE 7.—*Corn and tobacco: Amount of trial crop insurance, by counties, 1946¹*

County	State	Contracts in force	Farms covered
Corn			
Madison	Alabama	112	120
Houston	Georgia	120	136
Montgomery	Illinois	344	405
Vermillion	do	293	374
Miami	Indiana	433	539
Buena Vista	Iowa	1, 359	1, 629
Marion	do	321	385
Phillips	Kansas	205	292
Daviess	Kentucky	53	55
Kent	Maryland	122	122
Hillsdale	Michigan	523	635
Redwood	Minnesota	574	722
Carroll	Missouri	252	309
Saunders	Nebraska	350	421
Champaign	Ohio	179	179
Chester	Pennsylvania	479	550
Turner	South Dakota	98	118
McLennan	Texas	110	110
Sauk	Wisconsin	1, 486	1, 614
Tobacco			
Hartford	Connecticut	452	486
Cook	Georgia	132	139
Jefferson	Indiana	1, 030	1, 030
Bourbon	Kentucky	618	660
Larue	do	322	323
Simpson	do	553	559
Charles	Maryland	97	97
Surry	North Carolina	522	523
Vance	do	804	875
Wilson	do	1, 789	1, 838
Brown	Ohio	979	979
Lancaster	Pennsylvania	1, 643	1, 738
Marion	South Carolina	377	396
Greene	Tennessee	200	206
Maury	do	516	529
Montgomery	do	540	551
Lunenburg	Virginia	282	294
Pittsylvania	do	745	797
Vernon	Wisconsin	2, 241	2, 241

¹ The number of farms is larger than the number of contracts because a farmer's contract covers all of his insured farms in the county. The figure representing number of farms includes duplication where both landlord and tenant are insured. The number of contracts and farms on which a premium will be earned will probably be somewhat less than the figure shown in this table because farmers sometimes do not plant any acreage of the commodity on which they have insurance.

TABLE 8—*Corn trial crop insurance experience, by counties, 1945*

(As of June 30, 1946)

State and county	Contracts in force ¹	Farms covered	Contracts ¹	Crop planted and premium earned					Surplus or deficit	Loss ratio	Primary causes of loss
				Farms ¹	Indemnities	Insured acreage	Insured production	Premiums			
YIELD INSURANCE											
Illinois: Montgomery-----	952	Number 1, 047	Number 903	Number 1, 125	Acre 24, 946	Bushels 394, 992	Bushels 33, 782	Bushels 74, 704	—40, 922.2	21	Excessive moisture and frost.
Indiana: Miami-----	565	730	557	769	10 22, 568	413, 385	14, 828	919	13, 909	.06	Excessive moisture.
Iowa: Marion-----	775	963	744	1, 149	217 27, 760	522, 051	33, 813	58, 535	—24, 722.1	73	Excessive moisture and frost.
Kansas: Phillips-----	87	143	87	148	1 7, 289	30, 060	4, 626	166	4, 460	.04	Excessive moisture.
Maryland: Kent-----	263	289	262	301	39 7, 527	144, 138	9, 730	5, 396	4, 334	.55	Do.
Michigan: Hillsdale-----	1, 337	1, 501	1, 324	1, 763	331 28, 900	500, 153	28, 807	37, 250	—8, 443.1	29	Excessive moisture and frost.
Minnesota: Redwood-----	274	362	271	396	148 19, 160	327, 972	34, 313	52, 211	—17, 898.1	52	Do.
Missouri: Carroll-----	939	1, 235	928	1, 184	737 28, 328	475, 601	49, 528	131, 256	—81, 728.2	65	Excessive moisture and drought.
Nebraska: Saunders-----	480	654	480	728	38 35, 200	382, 310	48, 081	6, 053	42, 028	.13	Flood and excessive moisture.
Ohio: Champaign-----	377	401	365	450	12 12, 932	298, 372	13, 904	2, 019	11, 885	.14	Drought.
South Dakota: Turner-----	340	489	339	482	21 23, 616	205, 956	25, 685	3, 757	21, 928	.15	Excessive moisture.
Wisconsin: Sauk-----	1, 311	1, 349	1, 278	1, 510	1, 014 27, 187	594, 081	25, 044	139, 185	—114, 141.5	.56	Excessive moisture and frost.

INVESTMENT INSURANCE

	Number	Number	Number	Number	Acres	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
Illinois: Vermillion-----	274	307	271	388	11	18,774	228,449	13,244.66	2,431.24	10,813.42	0.18	Excessive moisture and frost.
Iowa: Buena Vista-----	1,676	1,786	1,662	2,064	79	106,2471,837,244	28,392.68	19,037.90	9,354.78	.67	Do.	
Minnesota: Redwood-----	222	279	222	305	52	14,797	182,722	14,658.17	11,916.36	2,741.81	.81	Do.
Pennsylvania: Chester-----	731	828	721	813	45	13,520	389,236	9,434.70	6,689.93	2,744.77	.71	Excessive moisture and hail.

¹ The number of farms is larger than the number of contracts because a farmer's contract covers all of his insured farms in the county. The figure representing number of farms includes duplication where both landlord and tenant are insured. The number of contracts and farms on which a premium is earned is usually somewhat less than the number of contracts and the number of farms covered by insurance because farmers sometimes do not plant any acreage of corn.

TABLE 9.—*Tobacco trial crop insurance experience, by counties, 1945*
(As of June 30, 1946)

State and county	Crop planted and premium earned						Surplus or deficit	Loss ratio	Primary causes of loss
	Con- tracts ¹	Farms ¹	Indem- nities	Insured acreage	Insured production	Premiums			
YIELD-QUALITY INSURANCE									
Georgia:									
Cook-----	312	Number 337	Number 38	Acres 1,197	Pounds 817,497	Dollars 20,139.19	Dollars 10,857.97	Dollars 9,281.22	0.54
Kentucky:									
Bourbon-----	257	286	28	1,958	1,177,408	27,211.31	9,745.58	17,465.73	.36
Larue-----	401	454	72	540,248	17,268.16	11,381.91	5,886.25	.66	Drought. Do.
North Carolina:									
Sury-----	1,144	1,257	11	6,012	2,634,856	53,246.19	2,568.90	50,677.29	.05
Vance-----	20	23	1	94	72,113	1,348.59	93.04	1,255.55	.07
Wilson-----	800	853	36	6,024	2,737,087	64,165.89	9,741.05	54,424.84	.15
Pennsylvania:									
Lancaster-----	2,221	2,551	643	13,122	12,580,432	171,476.12	229,792.25	—58,316.13	1.34
South Carolina:									
Marion-----	351	386	8	1,694	984,329	24,728.35	1,557.88	23,170.47	.06
Tennessee:									
Greene-----	1,132	1,413	94	2,060	1,386,494	36,455.52	7,163.47	29,292.05	.20
Maury-----	518	620	96	1,172	621,207	17,316.76	13,094.30	4,222.46	.76
Virginia:									
Lunenburg-----	136	154	3	680	423,576	10,907.65	494.68	10,412.97	.04
Pittsylvania-----	457	520	19	1,859	1,059,153	24,645.35	2,317.59	22,327.76	.09
Wisconsin:									
Vernon-----	2,765	3,081	544	8,101	8,489,433	168,758.82	169,290.01	—531.19	1.00

INVESTMENT INSURANCE

	Number	Number	Number	Acres	Dollars	Dollars	Dollars	Dollars
Kentucky:								
Bourbon-----	41	46	-	260	29, 920	929. 20	929. 20	0. 00
Larue-----	1	3	-	3	228	40. 95	12. 81	. 69
North Carolina:								
Surry-----	17	19	-	80	8, 883	561. 53	561. 53	. 00
Vance-----	611	742	2	3, 145	462, 566	19, 290. 31	19, 126. 68	. 01
Wilson-----	572	651	2	4, 608	429, 721	11, 622. 00	11, 484. 93	. 01
Pennsylvania:								
Lancaster-----	42	44	-	171	23, 266	1, 019. 20	1, 019. 20	. 00
Tennessee:								
Greene-----	9	9	-	11	1, 347	140. 47	140. 47	. 00
Virginia:								
Lunenburg-----	145	234	2	750	101, 491	5, 361. 50	124. 77	. 02
Pittsylvania-----	82	103	-	323	46, 105	2, 322. 38	2, 322. 38	. 00
Wisconsin:								
Vernon-----	26	28	-	76	10, 730	342. 72	342. 72	. 00

¹ Although figures for number of contracts in force and number of farms covered thereby are given in earlier tables for other commodities, these figures are not given for tobacco because they were not maintained separately for yield-quality insurance and investment insurance. There was a total of 12,564 tobacco contracts in force, covering approximately 14,000 farms. The number of contracts and farms on which a premium is earned is usually somewhat less than the number of contracts and the number of farms covered by insurance, because farmers sometimes do not plant any acreage of tobacco. The number of farms is larger than the number of contracts, because a farmer's contract covers all of his insured farms in the county. The figure representing number of farms includes duplication where both landlord and tenant are insured.

INSURANCE FOR 1947 CROPS

Plans for the 1947 crop insurance programs were well under way before the end of the 1946 fiscal year. For wheat and flax, there are no major changes in the 1947 programs from the policies in effect for 1946. For cotton, however, there are five important changes, all of which are being made with the view of developing a sounder insurance program.

One of these changes is that the amount of protection applicable to the early-season stages of production has been lowered. For example, for a farm with an average yield of 250 pounds the amount of insurance per acre in 1947 is 47 pounds for the highest level of insurance and the earliest stage of production. In 1946, the corresponding amount of protection was 75 pounds. At the same time, the amount of protection for 1947 has been increased somewhat on acreage carried to harvest: In 1947 the full amount of the loss will be paid on such acreage; whereas in 1946 only 75 percent of the harvested-acreage loss was paid. Decreasing the amount of early-season protection and increasing the amount of protection on harvested acreage was made with the view of discouraging abandonment of the crop and encouraging the carrying of it to harvest.

A second important change in cotton is an increase in the level of premium rates for 1947 and the elimination of the reduced-premium plan offered in 1945 and 1946. The increase in rates is primarily due to the incorporation of past insurance experience in the premium rate structure.

A third change is the establishment of earlier 1947 closing dates for filing applications. It became apparent in 1946 that, in some areas, the prospects of producing a crop were indicated before the closing date, thus causing more farmers to insure in areas where prospects were poor, and vice versa. The 1947 closing dates have been advanced substantially in all areas where the prospects of producing a crop are indicated early in the season, and to a lesser extent in all other areas.

A fourth change is with respect to the number of the levels of insurance offered the farmer. In 1946, only two levels were offered; one was 75 percent and the other 50 percent of the long-time average yield for the farm. In 1947 three levels are being offered. The amount of insurance on harvested acreage for these respective levels approximates 75, 60, and 40 percent of the farm average yield. Thus, if the highest level of insurance is more protection than the farmer feels he needs, he may choose from either of two lower levels instead of one.

The fifth change in cotton is the simplification of the program. In 1947, the amount of insurance per acre will be stated as a definite number of pounds for each stage of production. For example, the amount of protection per acre for a 250 pound average-yielding farm for the highest level of insurance is as follows:

47 pounds before the first cultivation;

75 pounds after the first cultivation but before laying by;

141 pounds after laying by but before harvest begins; and

187 pounds after harvest begins.

In 1946, the amount of insurance per acre was not stated as a definite number of pounds but was based on various percentages of

the average yield. These percentages were not too understandable from the farmer's point of view.

It is believed the foregoing changes will result in a much sounder cotton crop insurance program for 1947 and succeeding crop years and that it will also be more understandable and acceptable to the farmer.

Of foremost importance in the Corporation's 1947 plans is that all or substantially all of the producers of insurable commodities will be given an opportunity to submit an application for insurance. This will be accomplished through a larger and better-trained sales force which will contact a greater number of producers than in previous years.

With respect to trial insurance, the Federal Crop Insurance Act provides that it may be started on three additional commodities each year. Several commodities other than corn and tobacco are specifically mentioned in the act and any other commodity may also be insured on a trial basis if the Board of Directors determines that sufficient actuarial data are available. The Corporation has received a number of requests for insurance to be tried in 1947 on additional crops. Among these are sugar crops, citrus fruits, tung, potatoes, canning peas, tomatoes, peanuts, and dry beans. Some research and preparatory work has been done on a few of these crops. However, it has been decided that it is best to concentrate the Corporation's efforts on business now being written rather than to take on additional problems on new trial crops in 1947.

FINANCIAL REPORTS

The financial reports shown herein consist of a comparative balance sheet, a comparative statement of administrative and operating expenses, and a summary of administrative and operating expenses by appropriations since the origin of the Corporation.

The financial statements do not show all of the premium income on 1946 crops for the insurance in force on June 30, 1946. Even though premium notes are taken with the application, the amount of these notes, even in commodity units, such as bushels of wheat or pounds of cotton, cannot be fixed until the acreage planted on each farm has been determined and summaries made. This work has not been completed for the 1946 crops.

Even after the premium notes are established in commodity units, they cannot be included on a monetary basis in the financial statements until the cash-equivalent price has been established at maturity of the notes. As of June 30, 1946, the amount of premium income collected before maturity less approved indemnity claims applicable thereto is shown in the balance sheet under "Deferred Income." Except for this amount, the premium income on 1946 crops is not shown. It is estimated on the basis of current price levels that the premiums on 1946 insured crops will amount to approximately 28 million dollars. Losses to be paid out of this premium income will be determined subsequent to June 30, 1946.

Equipment owned by the Corporation does not appear in the balance sheet, since purchases of equipment are made from funds appropriated separately for administrative and operating expenses.

EXPLANATORY COMMENTS ON BALANCE SHEET

(Exhibit A, p. 35)

CASH

Cash amounting to \$16,619,694.70 was on deposit with the Federal Reserve Banks and the Chief Disbursing Officer of the Treasury Department as of June 30, 1946. Treasury Department facilities are utilized in making deposits and disbursements. Receipts and disbursements are handled by the respective branch offices of the Corporation through the accounts of the Chief Disbursing Officer of the Treasury Department, Federal Reserve Banks being used as depositories.

ACCOUNTS RECEIVABLE

Premiums on insurance contracts amounting to \$1,317,313.19 as of June 30, 1946, consist primarily of indebtedness due from insured producers on crop insurance premium notes for the 1942, 1943, and 1945 crop years and small credit items representing overpayments by insured producers. The increase of \$358,550.96 over the balance as of June 30, 1945, represents the net excess of insurance premiums on 1945 crop year contracts over total collections received during the 1946 fiscal year. This outstanding balance is about 3 percent of the total amount of the premium notes for the 1942, 1943, and 1945 crop years.

The amount of \$5,222,685 due from the Production and Marketing Administration (Commodity Credit Corporation) represents an advance of 5 million dollars on June 27, 1946, for purchase of commodities during the 1947 fiscal year for the account of the Federal Crop Insurance Corporation and a balance of \$222,685 due the Corporation as a result of commodity transactions consummated by the Commodity Credit Corporation for the account of the Federal Crop Insurance Corporation.

The balance due from administrative funds amounting to \$23,735.35 is comprised of amounts paid from capital funds for storage expenses which are reimbursable from the administrative funds. Adjustments of these accounts are made periodically.

Interest receivable amounting to \$1,985.56 represents amounts due from insured producers where delinquent premiums on insurance contracts for the 1945 crop year have been paid in full, excluding interest. Interest is not recorded on delinquent premiums until collected except in cases where remittances are received, after the expiration of the interest-free period, covering payment of premiums in full.

Accounts receivable "Other" in the amount of \$3,102.50 as of June 30, 1945, representing an unsettled claim against the Cutsinger Elevator Company, was charged off during the 1946 fiscal year. Write-off of the amount was authorized by the Board of Directors.

ACCOUNTS PAYABLE

Indemnities payable (estimated) amounting to \$1,300,775.45 represent the estimated cash value, as of June 30, 1946, of certificates of indemnity issued to insured producers in settlement of approved loss claims under crop insurance contracts. The Corporation's liability on indemnity claims is computed in terms of the insured

commodity, and a certificate of indemnity is issued to a claimant in settlement of an indemnity claim. Until such time as the certificate is surrendered to the Corporation for payment or an established cash equivalent of the claim is determined, an estimate of the value of the outstanding certificates is necessary. Average market prices applicable to the respective commodities are used as the bases for making this estimate.

Certificates of indemnity representing the \$1,300,775.45 have not been presented to the Corporation for payment. The claims resulted from losses on insured crops that occurred during the crop years from 1941 to 1943, inclusive, and during the crop years 1945 and 1946. The estimated liability by applicable crop years is as follows:

Crop years 1941 to 1943	\$427, 332. 45
Crop year 1945	765, 414. 00
Crop year 1946	108, 029. 00
Total	<u>1, 300, 775. 45</u>

The estimated liability does not include liability for unapproved indemnity claims. The following summary reflects the distribution of the estimated liability for unliquidated loss claims on the several crops insured by the Corporation:

Cotton contracts	\$851, 948. 45
Wheat contracts	339, 316. 00
Flax contracts	10, 196. 00
Corn contracts	99, 315. 00
Total	<u>1, 300, 775. 45</u>

The increase in estimated indemnities payable as of June 30, 1946, compared with June 30, 1945, consists of indemnities applicable to the 1945 and 1946 crop years, after an offsetting reduction of \$84,761.20 in estimated indemnities for the crop years 1941 to 1943.

UNDISTRIBUTED CREDITS

This balance consists of unapplied premium receipts amounting to \$69,702.55 as of June 30, 1946. Insurance premiums are normally collected by county associations who in turn transmit them to the branch office serving their area. However, in some instances insured producers transmit premium payments directly to the branch offices without including complete information relative to their contracts. Such insurance premium receipts which cannot be immediately identified are placed in a suspense account until proper distribution can be made.

DEFERRED INCOME

This balance amounting to \$2,536,079.50 as of June 30, 1946, represents premiums collected before maturity on insurance contracts

(less approved indemnity claims) for the 1946 and 1947 crop years as follows:

Crop year 1946:	
Premium collections	\$2,679,839.76
Less approved indemnity claims	145,347.46
	<hr/>
	\$2,534,492.30
Crop year 1947:	
Premium collections	1,587.20
Total	<hr/> <u>2,536,079.50</u>

CAPITAL

Capital stock outstanding as of June 30, 1946, amounted to \$70,000,000. The Corporation's enabling act authorized capital stock in the amount of \$100,000,000. Of this amount, \$70,000,000 has been subscribed by the Secretary of the Treasury; and that amount was requisitioned by the Corporation prior to June 30, 1946.

The increase of \$30,000,000 in capital stock outstanding as of June 30, 1946, compared with June 30, 1945, represents an additional appropriation made to the Secretary of the Treasury during the fiscal year 1945, which was requisitioned by the Corporation during the fiscal year 1946.

The operating deficit of \$50,723,413.15 represents the total deficit from insurance operations applicable to the crop years from 1939 to 1943, inclusive, and for the crop year 1945. The operating deficit from insurance operations recorded during the fiscal year 1946 amounted to \$12,975,315.65. This increase in deficit is applicable to crop years as follows:

Crop year 1945	\$12,936,529.66
Crop years 1939 to 1943, inclusive	<hr/> 38,785.99
Total increase	<hr/> <u>12,975,315.65</u>

The increase in deficit applicable to the crop year 1945 is reflected in table 6 of this report. The increase in deficit applicable to the crop years 1939 to 1943, inclusive, consists of the following:

Adjustments to insurance premiums	\$3,495.51
Increase in approved indemnity claims	31,427.54
Debt cancelations, net	3,862.94
Total crop years 1939 to 1943	<hr/> <u>38,785.99</u>

EXPLANATORY COMMENTS ON ADMINISTRATIVE AND OPERATING EXPENSES

(Exhibits B and C, pp. 36 and 37)

Exhibit B reflects a comparison of administrative and operating expenses for the 1946 and 1945 fiscal year appropriations as of June 30, 1946. The increase in total expenses amounting to \$4,203,912.50 for the fiscal year 1946, as compared with the fiscal year 1945, for the most part reflects costs of administration in connection with increased volume of insurance contracts under the Corporation's insurance program during the fiscal year 1946. This increase is reflected by an estimated 28 million dollars in premiums for the crop year 1946, as compared to a little over 9½ million for the 1945 crop year.

Exhibit C summarizes the administrative and operating expenses

of the Corporation by fiscal years on a basis of total appropriations for each of the years that the Corporation has been in existence. The small changes reflected in expenses for the fiscal years 1939, 1941, 1942, 1943, 1944, and 1945, as compared with amounts shown in the report of June 30, 1945, result from liquidation or cancellation of unliquidated obligations for those fiscal years during the fiscal year 1946. The detail of expenses for the fiscal years 1946 and 1945 is shown in Exhibit B.

Direct administrative and operating expenses of the Corporation from the time of organization to June 30, 1946, amounted to \$14,810,889.98 as reflected in Exhibit C. This amount represents expenses of the headquarters office and field offices and includes storage expenses in the amount of \$1,830,375.14. For the same period expenses for cooperating agencies which have contributed toward the operations of the insurance programs amounted to \$24,903,588.23, of which amount \$23,737,913.29 was expended by the Field Service Branch of the Production and Marketing Administration. This represents approximately 63 percent of the total program expenses and reflects to a great extent the cost of field operations. Beginning in the fiscal year 1945 and continuing through the fiscal year 1946, field expenses for insurance contract sales and loss adjustments have been paid directly by the Corporation instead of by transfer to another agency.

Exhibit A

Comparative balance sheet for the fiscal years ended June 30, 1946, and June 30, 1945, as of June 30, 1946

	ASSETS		
	Fiscal year ended—		Increase or decrease
	June 30, 1946	June 30, 1945	
Cash	\$16,619,694.70	\$1,812,978.61	\$14,806,716.09
Accounts Receivable:			
Premiums on Insurance Contracts	1,317,313.19	958,762.23	358,550.96
Production and Marketing Administration (CCG)	5,222,685.00	5,222,685.00	
Administrative Funds	23,735.35	34,557.32	-10,821.97
Field Service Branch (PMA)	284.18	303.28	-19.10
Interest Receivable	1,985.56		1,985.56
Other		3,102.50	-3,102.50
Total Accounts Receivable	6,566,003.28	996,725.33	5,569,277.95
Total assets	23,185,697.98	2,809,703.94	20,375,994.04
LIABILITIES AND CAPITAL			
Accounts Payable:			
Indemnities Payable (estimated)	1,300,775.45	512,093.65	788,681.80
Returned Checks Undeclared (canceled)	2,553.63	43.25	2,510.38
Total Accounts Payable	1,303,329.08	512,136.90	791,192.18
Undistributed Credits:			
Unapplied Premium Receipts	69,702.55	6,034.75	63,667.80
Reserve for Indemnity Claims		39,629.79	-39,629.79
Deferred Income:			
Premium Collections (less Approved Indemnity Claims of \$145,347.46)	2,536,079.50		2,536,079.50
Total liabilities	3,909,111.13	557,801.44	3,351,309.69
Capital:			
Capital Stock Authorized	100,000,000.00	100,000,000.00	
Less: Unissued Stock	30,000,000.00	60,000,000.00	-30,000,000.00
Capital Stock Outstanding	70,000,000.00	40,000,000.00	30,000,000.00
Operating Deficit	50,723,413.15	37,748,097.50	12,975,315.65
Net Capital	19,276,586.85	2,251,902.50	17,024,684.35
Total liabilities and capital	23,185,697.98	2,809,703.94	20,375,994.04

¹ Does not include liability for unapproved indemnity claims.

Exhibit B

Comparative statement of administrative and operating expenses for the 1946 and 1945 fiscal year appropriations, as of June 30, 1946

Item	Expenses, as of June 30, 1946		Increase or decrease
	1946 appropriation	1945 appropriation	
Direct expenses except commodity storage:			
Personal services-----	\$1, 841, 820. 39	\$433, 615. 97	\$1, 408, 204. 42
Travel-----	308, 361. 58	56, 651. 08	251, 710. 50
Transportation of things-----	17, 321. 08	13, 722. 16	3, 598. 92
Communication services-----	¹ 40, 639. 97	² 9, 881. 32	30, 758. 65
Rents and utility services-----	28, 541. 15	10, 785. 45	17, 755. 70
Printing and binding-----	93, 808. 53	43, 596. 04	50, 212. 49
Other contractual services-----	47, 058. 72	12, 608. 27	34, 450. 45
Contract sales expense-----	1, 297, 000. 00	377, 524. 14	919, 475. 86
Commodity purchase expense-----	6, 000. 00		6, 000. 00
Supplies and materials-----	41, 984. 65	33, 725. 13	8, 259. 52
Total direct expenses except commodity storage-----	3, 722, 536. 07	992, 109. 56	2, 730, 426. 51
Commodity storage:			
Wheat-----		—349. 36	349. 36
Cotton-----	13, 261. 87	—1, 959. 84	15, 221. 71
Total direct expenses-----	3, 735, 797. 94	989, 800. 36	2, 745, 997. 58
Allotted to cooperating agencies:			
Field Service Branch (PMA):			
Administrative-----	795, 584. 00	285, 400. 00	510, 184. 00
County-----	2, 273, 790. 00	1, 264, 600. 00	1, 009, 190. 00
Total FSB-----	3, 069, 374. 00	1, 550, 000. 00	1, 519, 374. 00
Bureau of Agricultural Economics-----		55, 000. 00	—55, 000. 00
Office of Information-----	1, 683. 47		1, 683. 47
Office of Solicitor-----		25, 000. 00	—25, 000. 00
Treasury Department:			
Treasurer's Office-----	630. 00		630. 00
Division of Disbursement-----	16, 244. 00	2, 923. 00	13, 321. 00
Total expenses of cooperating agencies-----	3, 087, 931. 47	1, 632, 923. 00	1, 455, 008. 47
Total expenses (excluding equipment purchases)-----	6, 823, 729. 41	2, 622, 723. 36	4, 201, 006. 05
Equipment purchased-----	33, 472. 20	30, 565. 75	2, 906. 45
Total expenses-----	6, 857, 201. 61	2, 653, 289. 11	4, 203, 912. 50

¹ Includes penalty mail in the amount of \$26,695.19.² Includes penalty mail in the amount of \$458.00.

Summary of administrative and operating expenses by appropriations, as of June 30, 1946

Exhibit C

FEDERAL CROP INSURANCE CORPORATION

37

Fiscal year	Appropriations	Net transfers	Amount available	Federal Crop Insurance Corporation				Cooperating agencies			Total expenses	Savings
				General	Storage	Total	FSB 1	Other	Total			
1938	\$965,000		\$965,000	\$234,546.07	\$234,546.07	\$234,546.07	\$2,246,125.76	\$151,580.77	\$2,397,706.53	\$234,546.07	\$730,453.93	
1939	5,500,000	-\$500,000	5,000,000	1,648,344.41	\$305,621.27	1,933,965.68	\$2,246,125.76	191,916.17	3,472,084.05	4,351,672.21	648,327.79	
1940	5,423,200	+400,000	5,823,200	1,320,337.79	858,317.17	2,178,754.96	3,280,167.88	200,737.64	5,650,839.01	1,72,360.99		
1941	5,423,200	+100,000	5,523,200	1,148,169.32	865,396.92	2,013,566.24	2,814,125.07	3,015,162.71	5,028,728.95	494,471.05		
1942	8,559,827		8,559,827	1,588,123.06	1,419,265.93	5,123,241.58	232,994.08	5,356,235.66	6,775,501.59	1,784,325.41		
1943	8,572,954	-1,900,000	6,672,954	1,330,683.89	-58,568.12	1,292,120.77	4,884,579.00	269,693.81	5,154,272.81	6,446,393.58	226,560.42	
12-12/3/00.017	550											
1944	3,500,000	-1,450,000	2,050,000	901,027.50	27,512.36	928,539.86	770,000.00	17,272.00	787,272.00	1,715,811.86	334,188.14	
1945	-	+3,350,000	3,350,000	1,022,217.31	-2,309.20	1,019,908.11	1,550,000.00	82,923.00	1,632,923.00	2,632,831.11	697,168.89	
12/30/113 (penalty mail)	458											
1946	8,304,900		8,304,900	3,729,313.08	13,261.87	3,742,574.95	3,069,374.00	18,557.47	3,087,391.47	6,830,506.42	1,474,393.58	
12/6/113 (penalty mail)	68,898		68,898	26,695.19		26,695.19				26,695.19	42,202.81	
Total	46,318,987	0	46,318,987	12,980,514.84	1,830,375.14	14,810,889.98	23,737,913.29	1,165,674.94	24,903,588.23	39,714,478.21	6,604,508.79	

¹ Field Service Branch, formerly AAA

